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UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

A QUARTER CENTURY OF FEDERAL ASSISTANCE  
IN  
FRUIT AND VEGETABLE MARKETING

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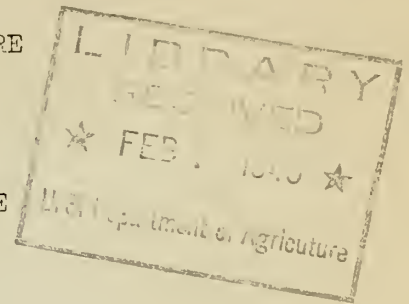
It is a pleasure to meet with the members of the United Fresh Fruit and Vegetable Association today. Much of my work with the Department of Agriculture has been, and still is, associated with the marketing of fruits and vegetables. In this work we have developed, we hope, an understanding and appreciation of many of your problems. You have helped us to gain that understanding which is necessary if we are to render the best kind of service to your industry. This helpful relationship has grown up over a considerable period of years in which you in the industry and we in the Department have worked together in helping to find effective ways of meeting conditions with which you have been confronted. Many of you played an active part in supporting legislation now on the books providing for our various service and regulatory activities.

Today I have been asked to review some of the work of the Department of Agriculture in the marketing of fruits and vegetables. Practically all of the marketing work of the Department has been developed within the past 25 years. Most of it has come about within the business experience of a large percentage of the membership of your Association. I hope that you will find a brief summary interesting.

Early Beginnings

Many people take for granted the various official marketing services that are available today. That is natural, for it is almost as easy to think of our homes without electricity, or our roads without automobiles and trucks, as it is to picture the fruit and vegetable industry functioning without some of these services. But in 1913 we had no official market reports, no national grades, no official shipping point or terminal market inspection, and no Perishable Agricultural Commodities Act.

We should remember 1913, for it marks a turning point in the relations of the Government with fruit and vegetable marketing. That year Congress made its first appropriation for the specific purpose of starting the Department of Agriculture on a definite mission of service in the general field of marketing farm products. That year the Department associated itself with



fruit and vegetable marketing as a service agency largely at the insistence of growers and shippers who found it impossible to provide themselves with certain types of marketing assistance.

The agitation for governmental help, it is said, crystallized when Georgia peach growers and shippers attempted to market within a few weeks one of the largest crops ever produced in that State. No effective distributing organization was available to meet the situation. Most large eastern markets were flooded with peaches, and the fruit sold for less than freight charges. The railroads were accused by some shippers of failing to provide cars promptly, and losses in transit were extremely heavy. At the close of this disastrous season, word came that satisfactory prices had prevailed in some western markets.

To the many who had suffered severe losses, this was the last straw, and complaints began to fall upon the sympathetic ears of Congress. An item of \$50,000 was included in the 1913-14 agricultural appropriation bill "to enable the Secretary of Agriculture to acquire and to diffuse among the people of the United States useful information on subjects connected with the marketing and distributing of farm products...."

#### Formation of the Office of Markets

The Secretary of Agriculture had the immediate problem of finding sound ways of using this money. He received many suggestions. At that time, several lines of work in the Department closely bordered upon the field of marketing, but no agency was doing anything which remotely resembled a market reporting service for perishables, and that was what many in the industries wanted. It was finally decided to establish an entirely new unit--the Office of Markets--to undertake the work. Mr. Charles J. Brand, then associated with the Bureau of Plant Industry, was invited to submit a plan of organization and an outline of work for the new unit. Brand was subsequently appointed Chief of the Office of Markets, and the entire organization and development of this new work was under his direction until he resigned from the Department in 1919. The responsibilities of this new unit expanded rapidly, and in 1917 it formally became the Bureau of Markets.

In 1921, the Department's crop estimating work, which had been conducted as a separate Bureau in the Department, was combined with the Bureau of Markets, and for a year the organization was called the Bureau of Markets and Crop Estimates. In 1922, the Office of Farm Management and Farm Economics was merged with the Bureau of Markets and Crop Estimates, and the enlarged organization became the Bureau of Agricultural Economics. Along with many other activities, that Bureau carried on and developed the marketing services until July 1, 1939. On that date, a new Bureau called the Agricultural Marketing Service was created. In it are administered the Nation-wide crop and market reporting services. In it are included the standardization and inspection, work on various commodities, and the administration of 17 specific statutes which provide for a variety of closely related marketing activities of a regulatory and service nature. The Bureau of Agricultural Economics now devotes its attention to the broad and important field of agricultural economics and agricultural planning, including marketing studies of a general economic nature.



### Standards For Grades Outlined

Although the evolution of the Agricultural Marketing Service has encompassed a great many years, the broad plan of work has not varied materially during that period. The original outline of organization for the Office of Markets suggested that the Department could render effective aid in marketing by undertaking the study and subsequent promulgation of market grades and standards. That suggestion was accompanied with the following comment: "A common language for both producer and consumer is the first essential to a satisfactory contact between them. When a man orders something from the country producer he must know what he is going to get. A study is needed of distinctive terms which can be accurately understood as applying to a given quantity and quality of produce. These (terms) should be based on present trade practices in the handling of the various commodities and on the requirement of modern consumers." This concept of standards and grading is materially the same as we have today.

About the market news service for perishable products, the original outline had this to say: "Such a service, if shown by investigation to be feasible, might perform the following functions: collection and distribution of daily information relating to the conditions of supply and demand in the leading market centers; supplies en route, their destination, and the probable date of arrival; progress of planting and areas planted, collected and distributed weekly during the planting season; information concerning the relation of supply to demand, disseminated as occasion demands." This is the foundation upon which the Nation-wide market news service we have today was developed.

The actual development of the market news program was not an especially difficult problem. Distributors were able to use the service as it evolved from the simple price-reporting stage. Contrary to previous beliefs, the reports of shipments caused no disastrous shifting of supplies from market to market in an effort to hit the points of high prices. Distribution at the same time was equalized, for enough free tonnage was in transit for diversion every day to supply markets where prices were high.

### Distributors Needed Shipment Information

Distributors from the start were more interested in arrivals at markets, and in shipments from producing sections, than in price reports. Many of the big operators already had their own sources of price information, but growers and smaller shippers did not. To some extent, terminal receivers were reluctant to see an official price report issued as it gave the shipper a check against their accounts of sales. But they did need reports of shipments out of producing sections; they needed reports of arrivals at the markets, cars unloaded and released, and cars diverted. It was difficult for them to obtain such information in an organized way. The Department needed selling prices. This demand for market news which neither the Department nor the receivers could effectively obtain themselves made a good basis for exchanging information. And so it came about that the Department, in effect, promised, with the cooperation of transportation agencies, to furnish shipment reports to distributors and receivers in exchange for their cooperation in furnishing Department market reporters with accurate selling prices.

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The first market news reports were issued in 1915, covering the Louisiana strawberry "deal" at Hammond. A representative of the Office of Markets visited 20 terminal markets and obtained the promise of assistance from one reliable broker or dealer in each of them. These men agreed to send the Department a daily telegram reporting the selling price of strawberries in exchange for mail and wire reports covering movement and prices at the shipping points. In a short time the Department placed its own representatives in several important markets to obtain reports at first hand of price and market conditions.

#### New Service Doubtfully Received

The work was popular in producing sections from the start. In the cities its reception was lukewarm. Some dealers disapproved of the idea outright, or good-naturedly made fun of it. A few gave the experiment their whole-hearted approval. Today, permanent offices gathering and disseminating fruit and vegetable market news are maintained in 21 of the large receiving markets of the country, and temporary field offices are operated from 1 to 6 months' duration in about 45 of the principal shipping sections. Seventeen States cooperate in the work carried on in those States. The various types of information are condensed into report form and distributed without charge by mail or by wire or radio to all interested persons in shipping sections and receiving markets. Today the official market reports are eagerly received by thousands of producers, shippers, and distributors every day. They are a part of the daily business of marketing fruits and vegetables, and the present widespread organization is unable to meet all requests for special types of information.

Some of the trade papers were opposed to the entrance of the Department in the field of market reporting. This early opposition was largely based upon a misunderstanding of the functions of the new service. Some editors thought the Department was invading a field which should be reserved exclusively for private enterprise. Papers specializing in market information wondered if they were to be put out of business. Time has proved these fears to be groundless. The trade press now gives the crop and market reports wider and wider coverage. Extracts and reprints of official reports, forecasts, and summaries often comprise a large part of the reading matter in technical papers. And out of the 700 radio stations in the country, about 200 regularly broadcast fruit and vegetable reports. From our point of view, the dissemination of news by the press and the radio is a necessary adjunct to a well-rounded market news service.

#### Production Estimates

In addition to current news reports of market supplies, production estimates have an important influence upon marketing. This was realized as early as 1839 when Congress made the first appropriation for the collection of agricultural statistics. Quantitative estimates of fruit and vegetable production were not made until 1914, although condition and percentage production reports were collected from crop reporters for apples, peaches, pears and grapes as early as 1866.

Today, the Agricultural Marketing Service through its Crop Reporting Board makes production estimates for 21 fruit crops by States and for the United States. These estimates are broken down, in some instances, to show varietal or type segregations. For vegetables, estimates are published for 26 crops, including potatoes and sweetpotatoes. The statistics include intentions-to-plant reports, estimates of acreage, yield and production, prices, and value of sales. Truck crop production estimates concern only those areas that grow crops primarily to supply consuming markets more or less distant from the producing center. Facilities are not yet available for reporting and home or market gardens, nor for furnishing detailed information of production and crop changes desired by many in the industry.

#### The 1940 Truck Crop Program

A more complete combined crop-market reporting-news service for truck crops has been undertaken during the past year. As a result of conferences with Federal-State statisticians, leading growers and State marketing officials, semi-monthly truck crop summaries now cover most important areas in each State. These reports emphasize news items pertaining to time of planting, acreage changes, progress of the crops during the growing season, probable time of harvest, time of peak shipments, rate of harvest and flow to market, quality of the crops, relative importance of rail and truck shipments, and related news. Information of this kind, when made available simultaneously for competing States, and for specific areas within States, is expected to prove extremely valuable to growers and distributors in their marketing operations.

These news summaries now reach growers and the trade within a few days after the news is collected. Reports relating to the first of the month are released about the fifth, and those relating to the fifteenth of the month are released about the nineteenth. The releases are made from Washington and the State offices on the same day. These release dates, however, do not apply to official estimates of acreage and production.

Various States have arranged, or are planning to arrange, for a direct exchange of information on competing crops. Handled by the States concerned, this news is incorporated in the State truck crop releases. New York growers may be interested in Texas cabbage or Michigan onions, for example. California growers may want news of the green pea crop in Mississippi. It is a mutual exchange of up-to-date news items among the States, and the semi-monthly truck crop news summaries issued from each State office of the Federal Crop Reporting Service carry information of current interest to producers in each State. We believe this feature of the new reports will furnish a real service to the truck crop industry.

#### "Spot" News

Sudden damage from crop hazards such as frost, freezes, floods, and high temperatures has an immediate effect on prices received by growers. Reports on the effects of such damage obviously cannot be delayed until the scheduled release of a semi-monthly report. Growers and distributors need prompt reports from an unbiased agency, for too often unreliable trade rumors are the only source of information following unusual crop damage.



When such damage occurs, statisticians of the Agricultural Marketing Service wire an immediate report to the Washington Office. This preliminary wire indicates that an unusual development has taken place, and perhaps gives the probable range of the damage. Subsequent wires, based on actual surveys, furnish a more accurate estimate. These "spot" news items are widely distributed through our marketing reporting systems. It is intended that spot news shall cover fruit crops as well as vegetable crops.

Acres and production estimates are least affected by the new program. It is proposed to release the truck crop estimates about two days earlier than the release dates scheduled last year. In addition, an extra midseason forecast of production will be scheduled for a few crops.

### Evolution of Standards

Many market news reports today are based upon the official standards. This is the result of an obvious need for quoting prices in uniform terms that have the same meaning in all parts of the country. But prior to the World War we had no uniform national grade for any fruit or vegetable. Certain brands and local grades were well known, it is true, and some of them had become fairly well standardized. But in the last analysis, they were local products nationally distributed and known. No grades existed for any perishable which was widely produced. And much prejudice existed against the idea, for local pride insisted that the products of one region could never be graded on the same standards as the products of another area.

One stumbling block was the thought habits of the wholesale buyer. To him a "No. 1 grade" meant a combination of all the good qualities of a product. When he wired for No. 1 he wanted size, maturity, color, and condition in the ideal proportions. In other words, No. 1 implied perfection. This ideal grade in the mind of the dealer was as impractical as the ideal State grades written without tolerances. Neither could be realized in actual practice. And the dealer could reject any shipment on the ground that it was not No. 1.

These difficulties had been studied by the Department, but little change in grading practice or of grade nomenclature was made up to 1917. The World War brought matters to a head. The Food Administration asked the Department to recommend standard grades for potatoes, and then under its emergency powers, ordered all handlers to operate on the basis of these grades. The recommendations of the Department were based on relative freedom from specific defects, with definite and fairly liberal tolerances. They were applicable to the crop of any region, yet it did not follow that a No. 1 lot from one region would be exactly like the same grade from another region in general appearance. These grade descriptions were also applicable to different varieties.

The benefits of marketing according to uniform standards are so obvious it is remarkable that they were not recognized sooner. But teaching producers to grade their products for market is a long educational process, yet far from completed.



The value of standardization has been brought home to the producer in several ways. Buyers often quote daily cash prices for goods passing inspection as No. 1. The price is paid when the car is loaded and the inspection certificate delivered. And association managers have showed the grower why his products were not on a par with those of other members, and consequently brought lower prices. The grower's education has progressed. Now, during seasons of heavy production, the vegetable or fruit producer has found that official standards denote the line between what does and does not have a market.

In developing standards the Agricultural Marketing Service functions as a national research agency for the industry. With a few exceptions, the use of Federal grades is entirely permissive. Being permissive, the Department can perfect grades only to the extent that they will be accepted in merchandising transactions. Each year, however, sees their use extended. Many of the States have adopted them in the administration of State laws, some of which require compulsory inspection. Unless otherwise specified, they form the basis for Federal inspections, and in the settlement of complaints arising under the Perishable Agricultural Commodities Act. They are extensively used in purchasing by Federal-State, municipal and other institutional buying.

Formulating specifications for a national grade is not an easy task. It is quite a different problem from presenting a standard of measure such as a foot rule. Continuous research is needed to keep pace with merchandising needs and acceptance.

Standards have now been developed for 57 different fruits and vegetables. Introduction of new varieties, ravages of insect pests and diseases that introduce new grading factors, changes in trade demands and improvements in the methods of handling, packing and shipping, require revisions of grade specifications so that they accurately represent commercial values. Constant research is necessary in order to refine and make more specific the definitions for various types of grade defects in the large number of U. S. standards now in effect, and to provide a basis for uniform interpretations of the grades in all parts of the country. So long as the interpretation of grade specifications depends so much upon human skill and judgment, there will be need for extensive research to develop more precise methods of inspection. Much has been done in developing mechanical and other devices, but much remains to be done.

#### Terminal Market Inspection

Most people think of grades in conjunction with inspection. This is natural, for one complements the other. Inspection, stripped of all technical language, is simply the matching of the quality of farm products with the specifications of the official grades or other contract specifications. I have already told you how our entry into the World War provided the impetus to grading work. The inspection of perishables began at about the same time.

For several years the service was limited to "important central markets which the Secretary may from time to time designate." This limitation was favored by the Department at the start for it furnished a good basis for declining applications for service at other points. But this language finally imposed a needless restriction on the inspection force and curtailed its usefulness. The limitation was removed in 1923 and inspectors were allowed to work at any point within reach. Products may now be inspected at 47 important central markets designated by the Secretary, or at any point near a designated market.

#### Fees

The inspection work at terminal markets had not been established very long when it became apparent that the relatively large sums involved, and the growing popularity of the work, justified the collection of reasonable fees. There was danger, furthermore, that a free service would bring so many requests for inspection that the limited force of the Department would be swamped with work.

How large a fee to charge was a problem, for nobody knew what the traffic would bear. A too large fee, it was feared, might prove a deterrent to the farmer-shipper for whom the service was originally established. An experimental fee of \$2.50 was tried for each carload inspected, or for each fraction of over one-half carload. Although this fee was not expected to cover the entire cost, its proponents argued that the inspection work had a definite value in promoting producer-grading of perishables.

For a few years the Department followed the policy of sending a copy of each certificate to the shipper even though he was not the applicant. Other financially interested parties could obtain a copy of any certificate for \$1.00. Protests by receivers and the rapid growth of the service finally made it impractical to send free copies to shippers, and the practice was discontinued in 1924.

The inspection fee for grade and condition was increased in 1921 from \$2.50 to \$4.00 per car. Confidence in the basis accuracy and uniformity of the service was increasing, and the industry was learning to use it more and more effectively. In the larger markets where inspectors can be kept fully employed the service more nearly pays for itself. In the smaller markets, this generally is not the case. But the inspectors in markets, even the smaller ones, perform a valuable public service. Their presence discourages the unjustifiable rejections of f.o.b. purchases, and to correct on reinspection mistakes which may have been made at shipping point. They provide a dependable facility for reinspection where factors of condition may be in dispute. They perform an important function in the administration of the Perishable Agricultural Commodities Act. In some quarters it has been suggested that all carlot receipts at least should be subjected to Federal inspection for condition as a basis for settling damage claims against transportation agencies. So far no action has been taken but the suggestion appears to be worthy of serious consideration by the industry.

### Shipping Point Inspection

To go back a little, terminal market inspection filled a definite need and it was widely used. But it did not meet the requirement of growers and shippers far from the markets, who wanted inspection at point of origin as a basis for f.o.b. sales. These growers argued that certificates issued in eastern markets on products from California, for example, were of little use. Some shippers facetiously referred to the certificates as "post mortems." This situation favored the development of a Nation-wide inspection program for use at shipping points.

A bill providing for a shipping point inspection service was passed by Congress in 1922. The work was started almost at once in 22 States and during the first year more than twice as many inspections were made at point of origin than at all of the terminal markets combined. For the fiscal year 1938-39, shipping point inspections totaled about 456,000 cars, compared with only about 49,000 cars inspected at receiving markets.

Shipping-point inspection is now conducted in 44 States in cooperation with State departments of agriculture or other State agencies. Agreements provide that the States shall employ inspectors who are to be licensed by Federal supervisors upon showing proper qualifications. The cooperating agencies defray the expenses of the service from the fees collected, which vary according to local conditions. The U. S. Department of Agriculture is reimbursed for the supervision which is necessary in order to insure uniformity in the application of the grades in the different States.

### The Perishable Agricultural Commodities Act

While everything possible must be done to assure an orderly flow of commodities from the producing sections, a great deal depends upon the commission merchants, dealers, and brokers at shipping points and destinations. These handlers are in a key position in that they constitute the link between producers and retailers. Any service or any regulatory activity of the Agricultural Marketing Service that affects the wholesalers has an immediate effect upon the entire industry.

Most of you are familiar with the various unfair practices which led to the passing of the Perishable Agricultural Commodities Act. One case will illustrate what I mean. A shipper sold 12 cars of potatoes, requiring the buyer to make an advance of \$100 per car. Checks for this amount, signed by another firm, arrived just when the potatoes began to move. Two cars were accepted by the buyer, but no payment was made. For this reason the remaining cars were diverted by the shipper to another buyer at a considerable loss because of a decline in the market. The original checks representing the advance payments were returned marked "no funds." The shipper received nothing for the first two cars of potatoes and had to sell the remaining 8 on a declining market. The only excuse the original buyer could offer was that the party to whom he had sold the potatoes got into financial difficulties and could not pay for them. He did not recognize that his definite contract for the purchase of the potatoes placed him under any obligation to the shipper. The PACA requires such a buyer to accept his liability and his license may be suspended or revoked if such unfair offenses are repeated.



Practices of this sort led to the introduction in 1927 in Congress of bills from which has evolved the PACA as we have it today.

It seems well to emphasize that the PACA, or rather the bill which became the PACA, was not sponsored by the Department of Agriculture. As originally introduced in Congress it included many more products than fruits and vegetables. Leaders in the fruit and vegetable industry became interested in this legislation because of their experience with the Food Administration during the World War and the benefits which they thought the trade had realized from regulation at that time. There were, of course, some leaders who were opposed in principle to regulation of their business by the Government. These men expressed their opinions openly and frankly but be it said to their credit that they made no effort to throw obstacles in the way of the administration of the Act after it became a law.

And, of course, many others resented the seeming intrusion of the Department of Agriculture into their business affairs and its possible interference with the business methods which they had followed. During the first 2 years this Act was on the statute books, we heard occasional murmurs against it and intimations that its repeal would be sought. So far as we know, no serious effort was ever made to carry out these threats and with the passage of time we have heard no more of them. We used to hear expressions of doubt as to the constitutionality of the law but since two U. S. Circuit courts of appeals have affirmed its constitutionality these doubts have been dispelled.

We feel that the PACA has now become an integral part of the fruit and vegetable industry and that the trade regards it not as a menace but as a bulwark. If that impression is correct, it reflects the good judgment of the leaders of your industry who sought the advice of the Department when this legislation was pending, and who so closely and unflaggingly cooperated with representatives of the Department, and with committees of Congress, in bringing the bill into the shape in which it was finally enacted. We feel that we are justified in thinking that the trade regards this Act as its child and its safeguard by the support which has been given to the various amendments adopted in 1934, 1936, and 1938. Each of these has had for its purpose the giving of greater protection to the industry by tightening up some provision or closing some loophole. A trade which still resented this law would not have cooperated in making it more stringent.

What does the law provide? It sets forth 9 offenses as unlawful. These are the making of any fraudulent charge; rejection without reasonable cause; false or misleading statements; failure truly and correctly to account; misrepresentation of character, kind, grade, quality, condition, degree of maturity, state or country of origin; removing, altering, or tampering with any car, containing a statement of grade of the fruit or vegetable contained therein; and the making of any change in the contents of a load or lot of vegetables or fruits that has been inspected, without the consent of the inspector. The Act requires that anyone doing business in fresh fruits and vegetables in interstate commerce shall have a license from the Secretary of Agriculture. If a licensee is found guilty of any one of these offenses he may be punished by publication of the facts or suspension not to exceed 90 days, or revocation of his license. Licensees are also required to keep such records as will fully and correctly disclose all transactions involved

in their business. Failure to keep such records may be punished by publication of the facts or suspension of license for a period not to exceed 90 days. The Department has not been given authority to "go on fishing expeditions" into the books of licensees. It proceeds only upon complaint. If a licensee refuses access to his records so far as they pertain to a complaint his license may be suspended until he grants such permission. Moreover, all decisions of the Secretary are reviewable by the Courts.

#### PACA Benefits Far-Reaching

During the little over 9 years the Act has been in effect the Secretary has rendered decisions in 2,366 cases and has issued reparation awards amounting to more than \$621,900. Publication of the facts has been ordered in more than 1,600 cases. The public is familiar with these decisions; they have been widely carried in the trade papers. But cases in which the Secretary has rendered decisions do not completely measure the worth of the Act, for more than 21,000 complaints have been received and handled.

The amendments of 1934 strengthened the Act materially. One result of these amendments has made it possible to arrange amicable settlements in a great many cases. Since 1934, more than \$1,200,000 has been paid to complainants on this basis. Cases may now be settled without formal action by submitting them to the Agricultural Marketing Service for informal determination. The trade was somewhat slow to adopt this service but an increasing interest has been shown recently; it is expected that a large proportion of future cases will be handled in this manner.

Wholly outside of formal or informal action taken by the Department is the effect of this Act and its enforcement on the practices followed by the trade. Since the Act was intended to suppress unfair and fraudulent practices in the marketing of fruits and vegetables, it is obviously more important to prevent licensees from engaging in such practices than to punish them after the offenses have occurred. The opinions expressed by the trade, and by attorneys who make a specialty of produce cases, indicate that a marked decrease in the number of unjustified rejections by receivers has been noted, and shippers apparently are more punctilious in carrying out their contracts. A noticeable improvement has been noted in the increased care with which buyers and sellers agree upon "terms of sale." This avoids many disputes. Commission merchants handling goods for the account of others are becoming more careful and accurate in rendering accounts of sales.

In administering this and other Acts which affect the fruit and vegetable trade we have always tried to emphasize the service viewpoint rather than the police viewpoint. We believe the fruit and vegetable trade throughout the country realizes that this law is its servant rather than its master. Today our Washington office receives by letter, by telegraph or by telephone frequent inquiries for advice on various problems and situations with which members of the trade find themselves confronted. Our field offices report the same experience. This is as it should be. We prefer to assist you in keeping out of trouble rather than to take action against you after you are in trouble.

### Other Regulation

Another regulatory measure, the Produce Agency Act, preceded the Perishable Agricultural Commodities Act by 3 years. The Produce Agency Act is "An Act to prevent the destruction or dumping, without good and sufficient cause therefor, of farm produce received in interstate commerce by commission merchants and others and to require them truly and correctly to account for all farm produce received by them." It applies only to agency transactions. Penalty for violation may be fine or imprisonment, whereas the maximum penalty under the PACA is revocation of license. It is administered in connection with the Perishable Agricultural Commodities Act in that flagrant violations in connection with agency transactions may be dealt with under either or both Acts. It also applies to agency transactions in dairy and poultry products and certain other perishable farm products not covered by the Perishable Agricultural Commodities Act. Several convictions resulting in fines and imprisonment have been obtained.

The Export Apple and Pear Act of 1933 is intended to prevent the shipment to foreign markets of apples and pears of low grade which might injure the reputation of American fruits in general, and which under the conditions existing in any one season probably would not sell for more than the cost of preparation and marketing. The regulations under the Act fix the minimum quality that can be exported lawfully, and fix the conditions under which railroads and steamship lines may accept shipments billed to foreign markets. Passage of the Act followed complaints of the adverse effect shipments of extremely low quality had upon European markets.

### Container Acts

The two Standard Container Acts fix the sizes for Climax baskets, containers for small fruits and vegetables, hampers, and round stave and splint baskets. Enforcement of these Acts has resulted in reducing the number of these containers from approximately 166 to 36.

These laws have accomplished their objective. "Snake" packages of these types are rarely manufactured deliberately. Throughout the trade, from grower to consumer, the baskets used for fruits and vegetables are accepted as U. S. standards as a matter of course, with little thought of the vigilance required to maintain them.

The manufacture of baskets is largely seasonal. Factories which operate the year round are exceptions. Thus, to some extent, each factory season involves a not set of factors--new help, new or overhauled machines, and perhaps some change in the style of package or the method of making it. To a larger extent than is generally realized, the manufacture of baskets is individualistic. The industry has no standards of quality, no generally recognized code of standard manufacturing practices, and no catalogue of standard forms, machines, or equipment. Under such conditions it is always a question whether the finished product complies with the requirements.



We recognize these conditions, and in the enforcement of the Standard Container Acts we have adopted the policy of rendering the maximum possible service to manufacturers. Limiting the number of lawful sizes of baskets to those fixed by the Standard Container Acts greatly simplified that particular problem for manufacturers. And these manufacturers whole-heartedly endorse the principle and cooperate with the Department in the maintenance of established standards.

#### Standards for All Containers

About 10 percent of the total annual movement of fruits and vegetables is shipped in bulk, 20 percent in baskets and barrels, 20 percent in sacks, and the remaining 50 percent in crates and boxes. Many of the crates, boxes and sacks have virtually become standardized through common usage. And most States have established standards by law or regulation, but the unfortunate lack of uniformity in the provisions of these laws and their permissive nature tend to make them ineffective from a national point of view.

Containers which have become standardized through common usage are the Northwest apple and pear crates, the western cantaloup crates, the California citrus boxes, and some portion of those used in Florida and Texas, certain carrier crates like the four- and six-basket crates, berry crates and perhaps some others. The carrier crates vary in dimensions, but the cups used in them are of standard sizes. Through the cooperation of the manufacturers and the fruits and vegetables industry the sizes of the sacks used have been reduced in number. The 50-pound sack for onions and the 100-pound sack for potatoes have become well established as standard merchandising units in the principal producing sections.

With regard to containers not now standardized, legislation (H. R. 5530) is now before Congress authorizing the Secretary of Agriculture to investigate the relative utility and economy of such packages, and this bill provides that he be "directed to confer and cooperate with fruit and vegetable growers, shippers, and distributors, container manufacturers and transportation agencies for the purpose of bringing about, as far as possible, the orderly classification, simplification and standardization of such containers." The bill would authorize him to establish and promulgate standards when such action will promote honesty and fair dealing and be in the interest of growers, distributors, and buyers and sellers of fruits and vegetables. The proposed legislation provides for working out a simplification which may be advantageous to all concerned.

The proponents of such additional legislation point out that the standardization of hampers and baskets in effect at the present time has resulted in a simplification of manufacturing problems and has reduced costs. They argue that the extension of such uniformity to include boxes and other containers not now covered by legislation might reasonably be expected to effect additional economies for both package manufacturers and shippers. Moreover, they point out that manufacturers of standardized containers are placed at a disadvantage in competing with manufacturers of unstandardized containers. To this extent, they contend that partial standardization tends to be discriminatory. If regulation is helpful for part of the industry it

should be beneficial to all. Something more than 280 crates, boxes, and cartons are now recognized in freight tariffs. It is difficult for some of us to believe that such a number of containers is needed to market fruits and vegetables. We believe this is a subject which deserves serious consideration by your Association. Standardization of containers by Federal law simplifies manufacture in that manufacturers are not required to be prepared to manufacture or carry in stock numerous odd sizes; quoting prices is simplified; undersized and deceptive sizes are outlawed, and growers using honest sizes are protected from unfair competition by those using undersize or deceptive packages; carloading is easier; and the structure of freight tariffs simplified.

### Market Regulation

Most of the regulatory work in the Agricultural Marketing Service has been established at the request of the industries involved, or at least upon the request and with the support of important groups. I have told you how the trade associations cooperated in bringing about the passage of the Perishable Agricultural Commodities Act. The seed industry has recently given us invaluable assistance in getting a good seed law on the statute books. Now the fruit and vegetable industry is asking us to investigate the possibility of regulating the hours of selling and other practices which prevail at the large central markets, and which cannot be dealt with under the PACA.

Declining prices have brought about many changes in market practices. Fifteen years ago, for example, the carlot wholesaler was the "big man" in the market set-up. He bought and sold in large quantities, his success depending upon a rapid turnover of merchandise at a small margin of profit. His customer was the jobber, who sold in relatively small lots to the retailer.

Today, the line of demarcation between the wholesaler and the jobber is tending to disappear. Under the stress of declining profits, wholesalers are becoming more and more willing to take on the functions of the jobber. Unwilling to pay wholesalers a profit, the jobber is tending to establish his own contacts in the producing sections. The net effect of these changes militates against an orderly market, with lower returns to producers and higher costs to consumers as the ultimate result.

As prices have fallen, selling hours in the large markets have tended to become longer as handlers have tried to pick up additional business. This tendency has had an unhealthy effect upon prices, for it is generally agreed that long selling hours are conducive to a "slow" market. And a slow market means lower prices to producers. But the consumer suffers at the same time. Long selling hours require additional market personnel, selling costs are increased, and the resulting increase in prices to consumers reduces demand. The presence of various types of rackets have complicated the problem. That something is seriously wrong with the conduct of our markets is reflected by the licensing records under the Perishable Agricultural Commodities Act, which show a 25-percent turnover in the firms licensed.



Representatives of the fruit and vegetable industry met in Washington last March to discuss these problems with the Agricultural Marketing Service. The representatives who attended the conference requested us to investigate possible legal means to control selling hours and trade practices in receiving markets where such action was desired by a majority of the trade.

During the months which followed the March conference a tentative draft of a bill was drawn which proposes "to regulate interstate and foreign commerce in perishable farm products; to suppress and eliminate unfair, fraudulent, or deceptive practices and devices; to prohibit unfair methods of competition, and to establish reasonable and uniform trading hours." Under the terms of the proposal, the Secretary of Agriculture would be authorized to designate markets and to bring them under supervision following a referendum in which more than 50 percent of the voters who handled more than half of the total perishables on that market, favor the plan. The optional character of the proposal is deemed important because controlled selling hours or other forms of regulation may not be adaptable or desirable for some markets.

This proposal was presented to representatives of the fruit and vegetable industry at an informal conference held in Washington, D. C., October 4. As might be expected, it was received with mixed opinions. To some, it appeared to be unreasonable and objectionable on general grounds. To others, it seemed to offer definite possibilities of straightening out the chaotic condition which now prevails in some of the large markets. The trade is now studying the proposal. We hope to have some definite recommendations within the near future. The Agricultural Marketing Service is not pressing for more regulation in the fruit and vegetable industry. We are always interested, however, in possibilities for improving marketing conditions through governmental intervention when it is apparent that the marketing agencies are unable to effect the desired improvements themselves.

#### New Problems

During much of the present decade the fruit and vegetable industry has been faced with serious problems growing out of low prices, together with high cost of many items needed in production and marketing. This situation has been made more intense, of course, by the constant pressure of steadily increasing supplies on commercial outlets. As many of you know, these conditions have led growers and distributors to look for various remedies. In some instances these measures have taken the form of marketing agreements and other regulatory activities designed to cope with the surplus conditions. In other cases, direct purchases by the Government, and the operations of the Stamp Plan have provided valuable assistance.

One result of the adverse conditions has been a greater appreciation by growers and distributors of the value of standards and inspection in selling their crops, and in better preparation of products for market. Growers, especially, are asking for even more specialized marketing services. There is now before Congress a bill sponsored by commissioners of agriculture in many of the States to provide additional Federal-State cooperation in rendering and developing additional marketing services.



We are continually confronted with demands from special groups for speeding up our market news work, and for enlarging our standardization activities. This past season a group of potato and vegetable growers in the Northeastern States requested us to provide an early morning market report for locally grown fruits and vegetables most of which are shipped by motor truck. We carried on this work throughout the local season for these perishables, and we were greatly impressed by the widespread response which the special service received. The trade as well as the growers liked it because it provided a line on "this morning's market today" so that they could change their harvesting and marketing plans in the light of up-to-the minute information.

Considerable thought is being given today toward promoting the consumption of fruits and vegetables through advertising and sales promotion of various types, including dealer service activities. In a number of States legislation has been enacted taxing growers to raise the funds needed for this work. Your organization is supporting an active program involving various promotional activities with retailers to assist your members in doing a better job of distribution. We recently undertook a survey of the various types of dealer service work followed by grower and trade groups, in order to be in a position to answer questions which are asked regarding this activity. Our first requests for information have been well received, and we hope to release a report in the near future summarizing the work that is being done.

For some time we have followed the policy of holding informal conferences with representatives of the produce industry to consider many of these problems. I am greatly impressed in these conferences by the high degree of unanimity of opinion which prevails today on the part of both grower and trade groups in recognizing the importance of many of these marketing difficulties. There is general feeling that ways must be found to increase the flow of fruits and vegetables through distributive channels on a more efficient basis and at lower costs to growers and consumers.

All of these activities are encouraging because they indicate a need for more emphasis on marketing problems. Most of the work of the Agricultural Marketing Service is not spectacular. It deals with day-to-day problems in marketing. As farm products move through the channels of distribution from producer to consumer, many complicated services must be performed. We believe anything we can do to simplify these services and reduce the hazards of merchandising is desirable and operates to the benefit of all concerned.